

**CITY OF LAMONI  
& LAMONI MUNICIPAL UTILITIES  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	4-5
Management's Discussion and Analysis	6-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 13
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 14
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	C 15
Notes to Financial Statements	16-27
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) – All Governmental	
Funds and Proprietary Funds	29
Notes to Other Information – Budgetary Reporting	30
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes	
in Cash Balances – Nonmajor Governmental Funds	1 32
Schedule of Cash Receipts, Disbursements and Changes	
in Cash Balances – Capital Projects Fund	2 33
Schedule of Indebtedness	3 34
Bond and Note Maturities	4 35
Schedule of Receipts by Source and Disbursements by Function –	
All Governmental Funds	5 36
Schedule of Expenditures of Federal Awards	6 37
Independent Auditors' Report on Internal Control over Financial	
Reporting and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	39-40
Independent Auditors' Report on Compliance for its Major Federal Program	
and on Internal Control over Compliance Required by OMB Circular A-133	42-43
Schedule of Findings	44-49

**City of Lamoni**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Janelle Anders	Mayor	January 2014
Marcy Biesemeyer	Council Member	January 2014
Anthony Crandell	Council Member	January 2014
Mary Ann Manuel	Council Member	January 2014
Doug Foster	Council Member	January 2016
Ruth Smith	Council Member	January 2016
Barb Struck	Clerk/Administrator/Treasurer	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Emil Segebart	General Manager/ Lamoni Municipal Utilities	Indefinite
Patrick Greenwood	City Attorney	Indefinite
<b>(After January 2014)</b>		
Doug Foster	Mayor	January 2016
Janelle Anders	Council Member	January 2016
Ruth Smith	Council Member	January 2016
Anthony Crandell	Council Member	January 2018
Sherry Morain	Council Member	January 2018
Roger Potts	Council Member	January 2018
Barb Struck	Clerk/Administrator/Treasurer	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Emil Segebart	General Manager/ Lamoni Municipal Utilities	Indefinite
Patrick Greenwood	City Attorney	Indefinite



Diane McGrain, CPA  
Jim Menard, CPA

November 7, 2014

### Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni and Lamoni Municipal Utilities, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...



Independent Auditor's Report  
City of Lamoni

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni and Lamoni Municipal Utilities as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

*Supplementary and Other Information*

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni and Lamoni Municipal Utilities' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the four years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11, and 29 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 7, 2014 on our consideration of the City of Lamoni's and Lamoni Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lamoni's and Lamoni Municipal Utilities' internal control over financial reporting and compliance.

*Schweizer & Associates, PC*

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

As management of the City of Lamoni, we offer readers of the City of Lamoni's financial statements this narrative overview and analysis of the financial activities of the City of Lamoni for the fiscal year ending June 30, 2014. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

### 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased by \$344,325 from fiscal 2013 to fiscal 2014. Capital grants increased approximately \$383,000, and note proceeds decreased \$280,000.
- Disbursements increased \$703,863, from fiscal 2013 to fiscal 2014. Public safety increased approximately \$507,000 and capital projects increased approximately \$180,000.
- The City's total cash basis net position decreased by \$442,348 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities (**the City**) decreased \$344,325 and the cash basis net position of the business type activities (**the Utilities**) decreased by \$98,032.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditure of Federal Awards provides details of various federal programs benefiting the City.

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities (**the City**) include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities (**the Utilities**) include the electric, the gas, the water works, and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities (**the Utilities**). The City maintains four Enterprise Funds to provide separate information for the electric, gas, water and sewer funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$344,325 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 301,481	\$ 289,680
Operating grants, contributions and restricted interest	650,383	853,700
Capital grants, contributions and restricted interest	383,278	55
General receipts:		
Property tax	694,554	683,306
Tax increment financing	25,189	24,090
Local option sales tax	112,202	123,992
Hotel motel tax	5,318	-
Grants and contributions not restricted to specific purposes	875	1,886
Unrestricted interest on investments	231	211
Note proceeds	30,000	310,000
Total receipts	<u>2,203,511</u>	<u>2,286,920</u>
Disbursements:		
Public safety	882,193	375,098
Public works	586,626	962,599
Culture and recreation	404,554	292,263
Community and economic development	156,268	46,439
General government	170,990	132,623
Debt service	248,505	117,873
Capital projects	181,622	-
Total disbursements	<u>2,630,758</u>	<u>1,926,895</u>
Change in cash basis net position before transfers	(427,247)	360,025
Transfers, net	<u>82,922</u>	<u>79,798</u>
Change in cash basis net position	(344,325)	439,823
Cash basis net position beginning of year	<u>1,027,214</u>	<u>587,391</u>
Cash basis net position end of year	<u>\$ 682,889</u>	<u>\$ 1,027,214</u>

The total receipts for governmental activities decreased \$83,409.

The cost of all governmental activities this year was \$2,630,758 compared to \$1,926,895 last year.

Increase in costs was noted for construction of a bathhouse/storm shelter and housing projects.



As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$1,295,616, due to costs paid by those directly benefited from the programs of \$301,481 or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest of \$1,033,661.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service		
Electric	\$ 2,475,062	\$ 2,540,663
Gas	807,429	674,771
Water	449,725	437,780
Sewer	292,417	280,348
Operating grants, contributions and restricted interest	9,149	3,649
General receipts:		
Unrestricted interest on investments	10,503	18,480
Miscellaneous	58,151	237,416
Total receipts	<u>4,102,436</u>	<u>4,193,107</u>
Disbursements:		
Electric	2,563,485	2,543,738
Gas	805,317	475,207
Water	464,073	390,467
Sewer	284,662	280,833
Total disbursements	<u>4,117,537</u>	<u>3,690,245</u>
Change in cash basis net position before transfers	(15,101)	502,862
Transfers, net	<u>(82,922)</u>	<u>(79,798)</u>
Change in cash basis net position	(98,023)	423,064
Cash basis net position beginning of year	<u>2,174,471</u>	<u>1,751,408</u>
Cash basis net position end of year	<u>\$ 2,076,448</u>	<u>\$ 2,174,472</u>

Total business type activities receipts for the fiscal year were \$4,102,436 compared to \$4,193,107 last year. The cash balance decreased by \$98,023. Total disbursements for the fiscal year increased \$427,292.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lamoni completed the year, its governmental funds reported a combined fund balance of \$682,889, a decrease of \$344,325 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$9,921 an increase of \$12,019 from the prior year.
- The Road Use Tax Fund balance at the end of the fiscal year was \$142,151, an increase of \$5,159.

- The Local Option Sales Tax Fund balance at the end of the fiscal year was \$394,254, an increase of \$9,389 from the prior year. The City is accumulating LOST funds for various capital projects.
- The Trust Funds Fund balance was \$221,790, an increase of \$50,040 from the prior year due to the transfer of funds.
- The Capital Projects Fund balance was \$(161,136), a decrease of \$460,089. The sewer main extension project was funded by a loan in the prior fiscal year. The project was completed this fiscal year. The bathhouse/storm shelter project receipts and disbursements lapped multiple fiscal years with reimbursement still to be received at the end of fiscal year 2014.

#### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS (LAMONI MUNICIPAL UTILITIES)

- The Electric Fund balance at the end of the fiscal year was \$838,585, a decrease of \$85,993 from the prior year due to a partial payment to Fairbanks Morse of \$144,682. The EPA mandated changes in the engine emissions, which Fairbanks Morse performed. The remaining payment of \$130,891 will be paid in the fiscal year 2014-2015.
- The Gas Fund balance at the end of the fiscal year was \$458,443, an increase of \$5,826.
- The Water Fund balance at the end of the fiscal year was \$465,803, a decrease of \$26,834 due to two projects: \$14,411 to Electric Pump for the variable frequency drive motor repair/replacement at North Woods, and \$31,000 to Central Tank Coating, Inc for internal water tower repair and painting. Additionally, \$28,314 was apportioned to the Water Fund for its share of the new billing system provided by Civic Systems.
- The Sewer Fund balance at the end of the fiscal year was \$313,617, an increase of \$8,978 from the prior year.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget, which includes the City and the Utilities, was amended by \$460,174 for receipts and \$1,736,602 for disbursements. Total receipts were approximately \$279,000 more than budgeted. After the budget amendment, total disbursements were approximately \$424,000 less than anticipated primarily due to fewer disbursements for debt service and capital projects. See the budgetary comparison schedule included in the financial statements.

#### DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$3,022,000 in bonds and other long-term debt, compared to approximately \$3,415,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)			
		Year ended June 30,	
		2014	2013
General obligation notes and bonds	\$	518	\$ 705
Revenue bonds and notes (Utility debt)		2,466	2,665
Other debt		38	45
	\$	<u>3,022</u>	\$ <u>3,415</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$518,000 is below its constitutional debt limit of approximately \$3,050,000.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Lamoni's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities.

The 2015 budget, tax rates, and fees were based on continuing to provide services to the public including: Airport, City Hall, Community Center, Fire, EMS, Library, Police, Pool, Recreation, Streets, and Trails to the current standard, including facility maintenance, operations, supplies, employee wages and benefits.

Several factors will influence utility rates in the future. It is paramount to keep replacing the infrastructure as time passes. It is management's intent to keep all facilities in good working order. The north feeder is old and built with materials which have been proven inferior over time. Currently we are looping the feeder to buy us some time. The substation transformer replacement has severely depleted our reserves, and though the lines are in fair to good condition, the overhead lines in the industrial park need replaced with underground lines. Overhead lines give a poor appearance in the area where we want to be a shining example of Lamoni's economic prowess. An electric increase may be in the short future.

"Disinfection" is the next thing on the IDNR's hit list for our sewer department. A facility to kill the bacteria before we discharge into the creek could cost two or three hundred thousand dollars as well as increase our operating expenses. Rates should be increased quickly to accumulate the funds to pay for this regulatory mandate.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barb Stuck, City Clerk, 190 South Chestnut Street, Lamoni, Iowa. Contact Emil Segebart, General Manager, 111 South Chestnut Street, Lamoni, Iowa for questions concerning the Lamoni Municipal Utilities' finances.

**CITY OF LAMONI  
& LAMONI MUNICIPAL UTILITIES  
BASIC FINANCIAL STATEMENTS**



City of Lamoni  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2014

					Net (Disbursement) Receipts and Changes in Cash Basis Net Position		

See notes to financial statements.

City of Lamoni  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2014

	General	Special Revenue			Capital Projects	Other Nonmajor Governmental Funds	Total
		Road Use Tax	Local Option Sales Tax	Trust Funds			
Receipts:							
Property tax	\$ 383,587	-	-	-	-	294,680	678,267
Tax increment financing	-	-	-	-	-	25,189	25,189
Other city tax	21,224	-	112,202	-	-	381	133,807
Licenses and permits	2,720	-	-	-	-	-	2,720
Use of money and property	36,686	-	-	1,222	464	-	38,372
Intergovernmental	17,667	232,060	-	167,345	382,814	-	799,886
Charges for service	252,881	-	-	-	-	-	252,881
Miscellaneous	44,503	2,786	-	195,100	-	-	242,389
Total receipts	759,268	234,846	112,202	363,667	383,278	320,250	2,173,511
Disbursements:							
Operating:							
Public safety	232,851	-	16,122	26,566	540,258	66,396	882,193
Public works	256,157	229,687	-	60,000	3,492	37,290	586,626
Culture and recreation	191,730	-	13,509	175,175	-	24,140	404,554
Community and economic development	3,060	-	-	136,701	-	16,507	156,268
General government	136,503	-	-	11,465	-	23,022	170,990
Debt service	-	-	-	-	-	248,505	248,505
Capital projects	-	-	-	-	181,622	-	181,622
Total disbursements	820,301	229,687	29,631	409,907	725,372	415,860	2,630,758
Excess (deficiency) of receipts over (under) disbursements	(61,033)	5,159	82,571	(46,240)	(342,094)	(95,610)	(457,247)
Other financing sources (uses):							
Note proceeds	-	-	-	30,000	-	-	30,000
Operating transfers in	73,052	-	-	66,280	29,379	148,259	316,970
Operating transfers out	-	-	(73,182)	-	(151,374)	(9,492)	(234,048)
Total other financing sources (uses)	73,052	-	(73,182)	96,280	(121,995)	138,767	112,922
Change in cash balances	12,019	5,159	9,389	50,040	(464,089)	43,157	(344,325)
Cash balances beginning of year	(2,098)	136,992	384,875	171,750	302,953	32,742	1,027,214
Cash balances end of year	\$ 9,921	142,151	394,264	221,790	(161,136)	75,899	682,889
<b>Cash Basis Fund Balances</b>							
Restricted for:							
Streets	\$ -	142,151	-	-	-	-	142,151
Local option referendum purposes	-	-	394,264	-	-	-	394,264
Trust purposes	-	-	-	221,790	-	-	221,790
Capital projects	-	-	-	-	12,242	-	12,242
Other purposes	-	-	-	-	-	123,457	123,457
Assigned for capital projects	5,318	-	-	-	-	-	5,318
Unassigned	4,603	-	-	-	(173,378)	(47,558)	(216,333)
Total cash basis fund balances	\$ 9,921	142,151	394,264	221,790	(161,136)	75,899	682,889

See notes to financial statements.

City of Lamoni – Lamoni Municipal Utilities  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2014

	Enterprise Funds				
	Electric	Gas	Water	Sewer	Total
Operating receipts:					
Charges for service	\$ 2,475,062	807,429	449,725	292,417	4,024,633
Operating disbursements:					
Business type activities	<u>2,211,987</u>	<u>791,088</u>	<u>443,741</u>	<u>200,423</u>	<u>3,647,239</u>
Excess of operating receipts over operating disbursements	263,075	16,341	5,984	91,994	377,394
Non-operating receipts (disbursements):					
Interest on investments	5,394	2,594	1,817	698	10,503
Rent	4,035	752	4,216	146	9,149
Miscellaneous	56,561	368	843	379	58,151
Debt service	(202,610)	-	(19,800)	(67,150)	(289,560)
Capital projects	<u>(148,888)</u>	<u>(14,229)</u>	<u>(532)</u>	<u>(17,089)</u>	<u>(180,738)</u>
Total non-operating receipts (disbursements)	<u>(285,508)</u>	<u>(10,515)</u>	<u>(13,456)</u>	<u>(83,016)</u>	<u>(392,495)</u>
Excess of receipts over disbursements	(22,433)	5,826	(7,472)	8,978	(15,101)
Other financing uses:					
Operating transfers out	<u>(63,560)</u>	-	<u>(19,362)</u>	-	<u>(82,922)</u>
	<u>(63,560)</u>	-	<u>(19,362)</u>	-	<u>(82,922)</u>
Change in cash balances	(85,993)	5,826	(26,834)	8,978	(98,023)
Cash balances beginning of year	<u>924,578</u>	<u>452,617</u>	<u>492,637</u>	<u>304,639</u>	<u>2,174,471</u>
Cash balances end of year	<u>\$ 838,585</u>	<u>458,443</u>	<u>465,803</u>	<u>313,617</u>	<u>2,076,448</u>
<b>Cash Basis Fund Balances</b>					
Restricted for debt service	\$ 281,184	-	320,609	80,768	682,561
Unrestricted	<u>557,401</u>	<u>458,443</u>	<u>145,194</u>	<u>232,849</u>	<u>1,393,887</u>
Total cash basis fund balances	<u>\$ 838,585</u>	<u>458,443</u>	<u>465,803</u>	<u>313,617</u>	<u>2,076,448</u>

See notes to financial statements.

City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies**

The City of Lamoni is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also manages the Lamoni Municipal Utilities (the Utilities) which provide electric, gas, water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Lamoni has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Decatur County Assessor's Conference Board, the Decatur County Emergency Management Commission, and the Wayne- Ringgold-Decatur County Solid Waste Management Commission and Southern Iowa Council of Governments.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Expendable restricted net position* result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consist of cash balances that do not meet the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.



City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

Special Revenue - Continued:

The Local Option Sales Tax Fund accounts for the local option sales tax received to be used for property tax relief, public safety and culture and recreation.

The Trust Funds Fund is used to account for resources from grantors who have specified how the funds should be spent.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through proprietary funds.

Lamoni Municipal Utilities reports the following major proprietary funds:

The Enterprise, Electric Fund accounts for the delivery of electricity to the citizens and businesses of the City.

The Enterprise, Gas Fund accounts for the delivery of natural gas to the citizens and businesses of the City.

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Lamoni maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balances and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

C. Measurement Focus and Basis of Accounting - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, community and economic development, general government, and business type activities functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2012, to compute the amounts which became liens on property on July 1, 2013. These taxes were due and payable in two installments on September 30, 2013 and March 31, 2014, at the Decatur County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
EE bonds	\$ <u>275</u>	\$ <u>500</u>	January 2015

In addition, the Utilities had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$907 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The Utilities' investment in the Iowa Public Agency Trust is unrated.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation and other debt, (the City's) and revenue debt (the Utilities') are as follows:

Year Ending June 30,	General Obligation Bonds & Notes		Revenue Bonds & Notes		Other Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 139,180	15,639	201,000	85,823	6,000	-	346,180	101,462
2016	109,659	11,446	207,000	80,530	6,000	-	322,659	91,976
2017	111,594	7,577	210,000	74,733	6,000	-	327,594	82,310
2018	53,555	3,637	217,000	68,399	6,000	-	276,555	72,036
2019	55,546	2,297	225,000	61,569	6,000	-	286,546	63,866
2020-2024	48,728	778	1,113,000	186,937	8,500	-	1,170,228	187,715
2025-2029	-	-	274,000	19,613	-	-	274,000	19,613
2029-2030	-	-	19,000	570	-	-	19,000	570
	<u>\$ 518,262</u>	<u>41,374</u>	<u>2,466,000</u>	<u>578,174</u>	<u>38,500</u>	<u>-</u>	<u>3,022,762</u>	<u>619,548</u>



City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (3) Bonds and Notes Payable – Continued**

Interest costs paid during the year ended June 30, 2014 totaled \$113,331. The City paid \$22,770 and the Utilities paid \$90,561.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund. The City has a general obligation debt limit of approximately \$3,050,000 which was not exceeded during the year ended June 30, 2014.

Revenue Notes

The Utilities have pledged future water customer receipts, net of specified operating disbursements, to repay \$293,000 issued in January 2010. Proceeds from the notes provided financing for the construction of water main extensions and improvements to the water treatment facility. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. Total principal and interest remaining to be paid on the notes is \$316,280. For the current year, principal and interest paid and total customer net receipts were \$19,800 and \$5,984, respectively.

The Utilities have pledged future sewer customer receipts, net of specified operating disbursements, to repay \$514,000 in sewer revenue notes issued in June 2002, and \$594,000 in sewer revenue notes issued in October 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$565,669. For the current year, principal and interest paid and total customer net receipts were \$67,151 and \$91,994, respectively.

The Utilities have pledged future electric customer receipts, net of specific operating disbursements, to repay \$2,200,000 in electric revenue notes issued on June 30, 2010. Proceeds from the notes are to provide financing for the construction of improvements to the municipal electric utility system, including the acquisition and installation of two diesel generators. The notes are payable solely from electric customer receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require 90% of net receipts. Total principal and interest remaining to be paid on the notes is \$2,162,225. For the current year, principal and interest payments and total customer net receipts were \$202,610 and \$263,075, respectively.

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the water enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.

City of Lamon  
Notes to Financial Statements  
June 30, 2014

**NOTE (3) Bonds and Notes Payable – Continued**

- c) \$70,000 is required to be maintained in a water revenue note reserve account. The account is restricted for the purpose of paying the note principal and interest payments whenever, for any reason, the funds in the water revenue note sinking account are insufficient to pay such principal and interest when due.
- d) Monthly transfers of \$1,500 shall be made to the water revenue note improvement and extension account, after the sinking and reserve funds have been adequately funded. Transfers are to be made until \$125,000 has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for correcting any deficiencies in the sinking and revenue accounts.
- e) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in the water revenue surplus account within the Enterprise Funds until a minimum of \$125,000 is accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking, reserve, and improvement and extension accounts.
- f) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% of the amount of principal and interest on the notes falling due in the next year.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the sewer enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of correcting any deficiencies in the sinking account.
- d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (3) Bonds and Notes Payable – Continued**

The resolution providing for the issuance of the electric revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the electric enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) \$202,985 shall be deposited and maintained in an electric revenue note reserve account. The account is restricted for the purpose of paying the principal and interest payments whenever, for any reason, the funds in the electric revenue note sinking account is insufficient to pay such principal and interest when due.
- d) \$150,000 shall be deposited and maintained in an electric revenue note improvement and extension account. This account is restricted for the purpose of paying any improvement, extension or repair to the system, or for correcting any deficiencies in the sinking and reserve accounts.
- e) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

Lamoni Municipal Utilities is in compliance with the provisions of the bond resolution above.

**NOTE (4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$96,908, \$90,446, and \$84,944, respectively, equal to the required contributions for each year.

City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (5)      Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement, up to a maximum of 480 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's and the Utilities' approximate liability for earned vacation and sick leave payable to employees at June 30, 2014 are as follows:

Type of Benefit	Amount
Vacation	\$ 57,000
Sick leave	149,000
	<u>\$ 206,000</u>

Of this amount the City is liable for \$67,000 primarily relating to the General Fund and the Utilities are liable for \$139,000. This liability is computed on rates of pay effective as of June 30, 2014.

**NOTE (6)      Other Postemployment Benefits (OPEB)**

City Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 11 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$446 for single coverage and \$1,028 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014 there were no plan members eligible for benefits.

Utility Employee Benefits

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 16 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.



City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (6) Other Postemployment Benefits (OPEB) - Continued**

Utility Employee Benefits - Continued

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$438 for single coverage and \$1,010 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the Utility contributed \$2,632 and plan members eligible for benefits contributed \$5,504 to the plan.

**NOTE (7) Commitment – Colony Housing Authority**

In December 1979, the City entered into an agreement with Colony Housing Authority (CHA) of Lamoni, whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2014 is \$34,500.

**NOTE 8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue Employee Benefit	\$ 9,492
	Proprietary Electric	63,560
		<u>73,052</u>
Special Revenue: Trust Funds	Special Revenue Local Option Sales Tax	43,803
	Capital Projects	15,934
		<u>59,737</u>
Capital Projects	Special Revenue Trusts	6,543
	Local Option Sales Tax	29,379
		<u>35,922</u>
Debt Service	Proprietary Water	19,362
	Capital Projects	128,897
		<u>148,259</u>
		<u>\$ 316,970</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (9) Risk Management**

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (10) Economic Development**

On April 10, 2003, the City entered into a developing agreement with Southern Iowa Building Center, Inc. whereby the City agreed to make economic development tax rebate payments to the developer for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental increase in the value of the project. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2005 and continuing through and including June 1, 2014. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City. The City paid the developer \$16,507 during the fiscal year ended June 30, 2014.

**NOTE (11) Wayne- Ringgold- Decatur County Solid Waste Management Commission**

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne-Ringgold-Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction. During the year ended June 30, 2014, the City of Lamoni paid the Wayne-Ringgold Decatur County Solid Waste Management Commission \$23,240. The City's future commitment is based on its population, which is currently computed at \$2.50 per capita per quarter.

Completed financial statements for the Commission can be obtained from the Commission.

**NOTE (12) Deficit Fund Balances**

At June 30, 2014, the City had the following deficit fund balances:

Debt Service	47,558
Capital Projects Fund – FEMA Account	<u>173,378</u>
Total	\$ <u>220,936</u>

The deficits will be eliminated with transfers and grant reimbursements.

City of Lamoni  
Notes to Financial Statements  
June 30, 2014

**NOTE (13)    Conduit Debt Obligation**

In November 2013, the City issued \$9.5 million in refunding bonds for Graceland University. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of revenues to be received from the University. The bonds do not constitute a debt, or pledge of the faith and credit of the City, and accordingly, have not been reported in the accompanying financial statements. The balance outstanding on the bonds at June 30, 2014 is \$9.5 million.

**NOTE (14)    Construction Commitments**

At June 30, 2014, the City had a construction commitment of \$58,587 on a storm shelter project. Included in this commitment is a retainage due of \$33,878.

At June 30, 2014, Lamoni Municipal Utilities had outstanding engineer contract commitments of \$26,805 for water and sewer improvement projects.

**NOTE (15)    Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## **Other Information**



City of Lamoni  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts						
Property tax	\$ 678,267	-	678,267	683,635	685,818	(7,551)
Tax increment financing	25,189	-	25,189	-	24,267	922
Other city tax	133,807	-	133,807	112,500	112,100	21,707
Licenses and permits	2,720	-	2,720	2,525	3,999	(1,279)
Use of money and property	38,372	19,652	58,024	13,200	13,200	44,824
Intergovernmental	799,886	-	799,886	240,100	561,275	238,611
Charges for service	252,881	4,024,633	4,277,514	4,441,680	4,493,155	(215,641)
Miscellaneous	242,389	58,151	300,540	43,269	103,269	197,271
Total receipts	2,173,511	4,102,436	6,275,947	5,536,909	5,997,083	278,864
Disbursements						
Public safety	882,193	-	882,193	373,226	809,011	(73,182)
Public works	586,626	-	586,626	490,633	666,691	80,065
Culture and recreation	404,554	-	404,554	263,820	585,983	181,429
Community and economic development	156,268	-	156,268	3,100	113,603	(42,665)
General government	170,990	-	170,990	211,857	151,649	(19,341)
Debt service	248,505	-	248,505	-	442,301	193,796
Capital projects	181,622	-	181,622	-	310,000	128,378
Business type activities	-	4,117,537	4,117,537	4,093,074	4,093,074	(24,463)
Total disbursements	2,630,758	4,117,537	6,748,295	5,435,710	7,172,312	424,017
Excess (deficiency) of receipts over (under) disbursements	(457,247)	(15,101)	(472,348)	101,199	(1,175,229)	702,881
Other financing sources, net:	112,922	(82,922)	30,000	-	463,391	(433,391)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(344,325)	(98,023)	(442,348)	101,199	(711,838)	269,490
Balances beginning of year	1,027,214	2,174,471	3,201,685	2,526,499	2,526,499	675,186
Balances end of year	\$ 682,889	2,076,448	2,759,337	2,627,698	1,814,661	944,676

See accompanying independent auditors' report.

City of Lamoni  
Notes to Other Information – Budgetary Reporting  
June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,736,602. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amended amounts budgeted in the public safety, community and economic development, general government, and business type activities functions.

## **Supplementary Information**

City of Lamoni  
Schedule of Cash Receipts, Disbursements and Changes  
in Cash Balances – Nonmajor Governmental Funds  
As of and for the year ended June 30, 2014

	Special Revenue			
	Employee	Urban	Debt	
	Benefits	Renewal	Service	Total
		Tax Increment		
Receipts:				
Property tax	\$ 169,365	-	125,315	294,680
Tax increment financing collections	-	25,189	-	25,189
Other city tax	219	-	162	381
Total receipts	169,584	25,189	125,477	320,250
Disbursements:				
Operating:				
Public safety	66,396	-	-	66,396
Public works	37,290	-	-	37,290
Culture and recreation	24,140	-	-	24,140
Community and economic development	-	16,507	-	16,507
General government	23,022	-	-	23,022
Debt service	-	-	248,505	248,505
Total disbursements	150,848	16,507	248,505	415,860
Excess (deficiency) of receipts over (under) disbursements	18,736	8,682	(123,028)	(95,610)
Other financing sources (uses):				
Operating transfers in	-	-	148,259	148,259
Operating transfers out	(9,492)	-	-	(9,492)
	(9,492)	-	148,259	138,767
Change in cash balances	9,244	8,682	25,231	43,157
Cash balances beginning of year	75,587	29,944	(72,789)	32,742
Cash balances end of year	\$ 84,831	38,626	(47,558)	75,899
<b>Cash Basis Fund Balances</b>				
Restricted for other purposes	\$ 84,831	38,626	-	123,457
Unassigned	-	-	(47,558)	(47,558)
Total cash basis fund balances	\$ 84,831	38,626	(47,558)	75,899

See accompanying independent auditors' report.

## Schedule 2

City of Lamoni  
Combining Schedule of Cash Receipts, Disbursements and Changes  
in Cash Balances – Capital Projects Fund  
As of and for the year ended June 30, 2014

	Capital Projects						
	Street	Sewer	Trail	Fire	Airport	Fema	Total
Receipts:							
Use of money and property	\$ -	464	-	-	-	-	464
Intergovernmental	-	-	-	-	-	382,814	382,814
Total receipts	-	464	-	-	-	382,814	383,278
Disbursements:							
Public safety	-	-	-	-	-	540,258	540,258
Public works	3,492	-	-	-	-	-	3,492
Capital projects	-	181,622	-	-	-	-	181,622
Total disbursements	3,492	181,622	-	-	-	540,258	725,372
Deficiency of receipts under disbursements	(3,492)	(181,158)	-	-	-	(157,444)	(342,094)
Other financing sources (uses)							
Operating transfers in	-	-	-	250	29,129	-	29,379
Operating transfers out	-	(128,897)	(6,543)	-	-	(15,934)	(151,374)
Total other financing sources (uses)	-	(128,897)	(6,543)	250	29,129	(15,934)	(121,995)
Change in cash balances	(3,492)	(310,055)	(6,543)	250	29,129	(173,378)	(464,089)
Cash balances beginning of year	10,063	310,055	12,214	(250)	(29,129)	-	302,953
Cash balances end of year	\$ 6,571	-	5,671	-	-	(173,378)	(161,136)
<b>Cash Basis Fund Balances</b>							
Restricted for capital projects	\$ 6,571	-	5,671	-	-	-	12,242
Unassigned	-	-	-	-	-	(173,378)	(173,378)
Total cash basis fund balances	\$ 6,571	-	5,671	-	-	(173,378)	(161,136)

See accompanying independent auditors' report.

City of Lamoni  
Schedule of Indebtedness  
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Water improvement	Mar 1, 2001	1.75%	\$ 298,000	\$ 135,000	-	17,000	118,000	2,362	-
Fire station	Jul 7, 2005	4.00-4.10%	300,000	70,000	-	35,000	35,000	2,835	-
Street improvement	Oct 15, 2007	4.35-4.50%	385,000	190,000	-	45,000	145,000	8,413	-
Sewer improvement	May 23, 2013	2.93%	310,000	310,000	-	119,738	190,262	9,160	-
Equipment	Nov 19, 2013	3.95%	30,000	-	30,000	-	30,000	-	-
				\$ 705,000	30,000	216,738	518,262	22,770	-
Revenue bonds and notes:									
Water	Jan 27, 2010	3.00%	\$ 293,000	\$ 260,000	-	12,000	248,000	7,800	-
Sewer	Jun 30, 2002	1.75%	514,000	269,000	-	26,000	243,000	4,708	-
Sewer	Oct 15, 2002	1.75%	594,000	311,000	-	31,000	280,000	5,443	-
Electric	June 30, 2010	2.60-4.65%	2,200,000	1,825,000	-	130,000	1,695,000	72,610	-
				\$ 2,665,000	-	199,000	2,466,000	90,561	-
Other debt									
Crown colony contract	Oct 1, 1980	0.00%	\$ 240,000	\$ 44,500	-	6,000	38,500	-	-

See accompanying independent auditors' report.

City of Lamoni and Lamoni Municipal Utilities  
Bond and Note Maturities  
June 30, 2014

General Obligation Bonds and Notes										
Year Ending June 30,	Water Improvement		Fire Station		Street Improvement		Sewer Improvement		Equipment	
	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount
2015	1.75%	18,000	4.10%	35,000	4.40%	45,000	2.93%	31,180	3.95%	10,000
2016	1.75%	18,000	-	-	4.45%	50,000	2.93%	31,659	3.95%	10,000
2017	1.75%	19,000	-	-	4.50%	50,000	2.93%	32,594	3.95%	10,000
2018	1.75%	20,000	-	-	-	-	2.93%	33,555	-	-
2019	1.75%	21,000	-	-	-	-	2.93%	34,546	-	-
2020	1.75%	22,000	-	-	-	-	2.93%	26,728	-	-
		<u>\$ 118,000</u>		<u>\$ 35,000</u>		<u>\$ 145,000</u>		<u>\$ 190,262</u>		<u>\$ 30,000</u>
										<u>\$ 518,262</u>

  

Revenue Bonds and Notes										
Year Ending June 30,	Sewer		Water		Electric		Other Debt			
	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount
2015	1.75%	27,000	1.75%	32,000	3.00%	12,000	3.00%	130,000	0.00%	6,000
2016	1.75%	28,000	1.75%	32,000	3.00%	12,000	3.25%	135,000	0.00%	6,000
2017	1.75%	29,000	1.75%	33,000	3.00%	13,000	3.60%	135,000	0.00%	6,000
2018	1.75%	30,000	1.75%	34,000	3.00%	13,000	3.80%	140,000	0.00%	6,000
2019	1.75%	31,000	1.75%	35,000	3.00%	14,000	4.00%	145,000	0.00%	6,000
2020	1.75%	32,000	1.75%	37,000	3.00%	14,000	4.15%	155,000	0.00%	6,000
2021	1.75%	33,000	1.75%	38,000	3.00%	15,000	4.30%	160,000	0.00%	6,000
2022	1.75%	33,000	1.75%	39,000	3.00%	15,000	4.40%	165,000	0.00%	2,500
2023	-	-	-	-	-	16,000	4.50%	170,000	-	-
2024	-	-	-	-	-	16,000	4.65%	175,000	-	-
2025	-	-	-	-	-	17,000	4.65%	185,000	-	-
2026	-	-	-	-	-	17,000	-	-	-	-
2027	-	-	-	-	-	18,000	-	-	-	-
2028	-	-	-	-	-	18,000	-	-	-	-
2029	-	-	-	-	-	19,000	-	-	-	-
2030	-	-	-	-	-	19,000	-	-	-	-
		<u>\$ 243,000</u>		<u>\$ 280,000</u>		<u>\$ 248,000</u>		<u>\$ 1,695,000</u>		<u>\$ 38,500</u>
										<u>\$ 2,486,000</u>

See accompanying independent auditors' report.

City of Lamoni  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Receipts:</b>										
Property tax	\$ 678,267	666,970	715,520	673,979	609,167	585,581	522,565	528,850	516,208	472,696
Tax increment financing collections	25,189	24,090	24,712	28,905	27,026	28,035	40,922	37,754	48,751	46,607
Other city tax	133,807	140,328	146,118	128,294	135,169	124,125	132,198	122,015	103,695	123,931
Licenses and permits	2,720	1,830	1,300	941	1,275	1,330	17,848	2,923	5,320	3,238
Use of money and property	38,372	15,246	16,324	10,587	13,468	15,705	14,939	15,587	16,966	21,302
Intergovernmental	799,886	716,831	307,034	375,204	533,304	581,540	281,586	296,819	646,347	445,651
Charges for service	252,881	261,177	248,752	236,843	209,887	215,379	190,563	190,790	185,773	172,962
Miscellaneous	242,389	150,448	96,866	115,101	93,101	76,969	167,901	207,189	131,358	360,411
<b>Total</b>	<b>\$ 2,173,511</b>	<b>1,976,920</b>	<b>1,556,626</b>	<b>1,569,854</b>	<b>1,622,397</b>	<b>1,628,664</b>	<b>1,368,522</b>	<b>1,401,927</b>	<b>1,654,418</b>	<b>1,646,798</b>
<b>Disbursements:</b>										
<b>Operating:</b>										
Public safety	\$ 882,193	375,098	436,667	338,027	302,133	326,683	232,799	282,443	764,396	240,241
Public works	586,626	962,599	583,188	550,816	541,905	483,886	499,136	421,147	422,318	395,564
Culture and recreation	404,554	292,263	256,184	286,084	278,841	261,384	226,990	197,735	311,418	280,795
Community and economic development	156,268	46,439	40,073	64,046	27,035	64,795	137,163	95,912	73,196	75,298
General government	170,990	132,623	160,729	147,623	146,803	158,924	138,969	126,163	139,699	136,823
Debt service	248,505	117,873	27,040	203,290	205,571	201,079	144,511	343,423	338,720	275,348
Capital projects	181,622	-	1,263	400	162,113	426,256	330,787	123,014	412,303	578,299
<b>Total</b>	<b>\$ 2,630,758</b>	<b>1,926,895</b>	<b>1,505,144</b>	<b>1,590,286</b>	<b>1,664,401</b>	<b>1,923,007</b>	<b>1,710,355</b>	<b>1,589,837</b>	<b>2,462,050</b>	<b>1,982,368</b>

See accompanying independent auditors' report.



City of Lamoni  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Agriculture Community Facilities Grant	10.766	2014	\$ 30,000
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development: Community Development Block Grants/ State's Program	14.228	12-HSG-003	134,323
U.S. Department of Homeland Security: Iowa Department of Homeland Security and Emergency Management:			
Hazard Mitigation Grant	97.039	DR-1880-0011-01	<u>363,361</u>
Total			<u>\$ 527,684</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lamoni. The City of Lamoni's financial statements are presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**City of Lamoni**



Diane McGrain, CPA  
Jim Menard, CPA

November 7, 2014

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 7, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepting accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Lamoni's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lamoni's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Lamoni's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in Part II of the accompanying Schedule of Findings that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued...

City of Lamoni  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lamoni's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Lamoni's Responses to Findings

City of Lamoni's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Lamoni's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lamoni and Lamoni Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schroeder & Associates, PC*

**Independent Auditors' Report on Compliance  
for Its Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**



Diane McGrain, CPA  
Jim Menard, CPA

November 7, 2014

Independent Auditors' Report on Compliance  
for Its Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Its Major Federal Program

We have audited City of Lamoni's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City of Lamoni's major federal program for the year ended June 30, 2014. City of Lamoni's major federal program is identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for City of Lamoni's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lamoni's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Lamoni's compliance.

Continued...



City of Lamoni  
Independent Auditors' Report on Compliance  
for Its Major Federal Program

Opinion on Its Major Federal Program

In our opinion, City of Lamoni complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of City of Lamoni is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Lamoni's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Lamoni's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirements of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Schroer & Associate, PC*

City of Lamoni  
Schedule of Findings  
Year Ended June 30, 2014

**Part I: Summary of the Independent Auditors' Results:**

- a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses or significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major program was CFDA Number 97.039 – Hazard Mitigation Grant.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) City of Lamoni did not qualify as a low-risk auditee.

City of Lamoni  
Schedule of Findings  
Year Ended June 30, 2014

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14    Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and posting of cash receipts to the general ledger are done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We do the best that we can to make sure that we have separation of duties with our limited staff.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Lamoni  
Schedule of Findings  
Year Ended June 30, 2014

**Part III: Findings for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses or significant deficiencies were reported.

City of Lamoni  
Schedule of Findings  
Year Ended June 30, 2014

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-14 Certified Budget

Comment – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, community and economic development, general government, and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We estimate to the best of our ability the amounts that need to be amended. The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

IV-B-14 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-14 Travel Expense

We noted no disbursements of City money for travel expenses of spouses of City officials or employees.

IV-D-14 Business Transactions

We noted no business transactions between the City and City officials, or employees.

IV-E-14 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Lamoni  
Schedule of Findings  
Year Ended June 30, 2014

**Part IV: Other Findings Related to Statutory Reporting (Continued):**

IV-F-14 Council Minutes

Comment – No transactions were found that we believe should have been approved in the Council minutes but were not. However, we noted one month of utility claims published in the paper were not included in the minute book.

Recommendation – Documentation of all claims approved at meetings should be reflected in the minute book.

Response – We will establish procedures to make sure all claims approved are documented in the minutes and published in the paper.

Conclusion – Response accepted.

IV-G-14 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-H-14 Revenue Bonds and Notes

No instances of noncompliance with the revenue and note resolutions were noted.

IV-I-14 Financial Condition

Comment - At June 30, 2014, the City had the following deficit fund balances:

Debt Service	47,558
Capital Projects Fund – FEMA Account	173,378
Total	\$ <u>220,936</u>

Recommendation – The deficit in the Debt Service Fund was due to insufficient transfers from the Special Revenue, Local Option Sales Tax Fund that were budgeted to be used for property tax relief. The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

Response – We will do so. The deficit in the Capital Projects – FEMA Account will be eliminated with grant reimbursements.

Conclusion – Response accepted.



City of Lamoni  
Schedule of Findings  
Year Ended June 30, 2014

**Part IV: Other Findings Related to Statutory Reporting (Continued):**

IV-J-14    Excess Balance

Comment – The balance in the Special Revenue Fund – Local Option Sales Tax Account at June 30, 2014, was in excess of the fund's disbursements during the year.

Recommendation – The City should determine the necessity of maintaining the substantial balance.

Response –We have saved funds for the bathhouse/storm shelter project, which is currently underway. We are in the process of implementing a capital improvement plan to assist with the planning of the LOST funds.

Conclusion – Response accepted.

IV-K-14    Excess Tax Increment Financing Balance

Comment – The City's TIF balance includes funds collected and remitted to the City for property taxes assessed on a property in which the business had closed.

Recommendation –Chapter 403.19 requires the City to certify any reduction in the TIF debt for any reason to the County Auditor. The City should complete Form 3 or the TIF Indebtedness Certification to reduce the TIF indebtedness outstanding for cash on hand at June 30, 2014.

Response – We will check into this.

Conclusion – Response accepted.

IV-L-14    Urban Renewal Annual Report

The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.